

Mr. Eric Rogers, Controller
Lexington Medical Center Extended Care
815 Old Cherokee Road
Lexington, South Carolina 29072

Re: AC# 3-BRK-J6 – Lexmed, Inc. d/b/a Lexington Medical Center Extended Care

Dear Mr. Rogers:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through March 31, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

**LEXMED, INC.
D/B/A LEXINGTON MEDICAL CENTER
EXTENDED CARE**

LEXINGTON, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1997
AC# 3-BRK-J6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 21, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Lexmed, Inc. d/b/a Lexington Medical Center Extended Care, for the contract periods beginning October 1, 1997, and for the combined cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Bertha K. Rikard Health Care Center, for the twelve month cost report period ended September 30, 1996 to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. These costs were combined with the costs of Lexmed, Inc. d/b/a Keisler-Holstedt Nursing Home for the cost report period ended March 31, 1997. Our findings as a result of these procedures are presented in the Combined Adjustment Report and Combined Summary of Costs and Total Patient Days sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the combined costs and calculated the rate change in accordance with the provisions of the contracts between the Department of Health and Human Services and Bertha K. Rikard Health Care Center and Lexmed, Inc. d/b/a Keisler-Holstedt Nursing Home, dated as of October 1, 1994 as amended. These contracts were assigned effective October 1, 1997, creating a single operating entity, Lexmed, Inc. d/b/a Lexington Medical Center Extended Care. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
January 21, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

LEXMED, INC. D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1997
AC# 3-BRK-J6

	<u>10/01/97- 03/31/98</u>	<u>04/01/98- 09/30/98</u>
Interim reimbursement rate (1)	\$102.13	\$102.13
Adjusted reimbursement rate	<u>101.20</u>	<u>101.20</u>
Decrease in reimbursement rate	\$ <u>.93</u>	\$ <u>.93</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

LEXMED, INC. D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1997 Through September 30, 1998
 AC# 3-BRK-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.20	\$49.61	
Dietary		7.75	9.01	
Laundry/Housekeeping/Maint.		<u>8.94</u>	<u>7.38</u>	
Subtotal	<u>\$.11</u>	65.89	66.00	\$ 65.89
Administration & Med. Rec.	<u>\$.69</u>	<u>8.51</u>	<u>9.20</u>	<u>8.51</u>
Subtotal		74.40	<u>\$75.20</u>	74.40
<u>Costs Not Subject to Standards:</u>				
Utilities		2.80		2.80
Special Services		1.15		1.15
Medical Supplies & Oxygen		6.05		6.05
Taxes and Insurance		.42		.42
Legal Fees		<u>.23</u>		<u>.23</u>
TOTAL		<u>\$85.05</u>		85.05
Inflation Factor (4.40%)				3.74
Cost of Capital				11.11
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.69
Cost Incentive				.11
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$101.20</u>

LEXMED, INC. D/B/A LEXINGTON MEDICAL EXTENDED CARE
 Combined Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1996
 AC# 3-BRK-J6

<u>Expenses</u>	Bertha K. Rikard 10-01-95/ 09-30-96	Keisler- Holstedt 09-04-96/ 03-31-97	Combined Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
				<u>Debit</u>	<u>Credit</u>	
General Services	\$2,666,200	\$1,897,901	\$ 4,564,101	\$ -	\$ 53,454 (5) 10,916 (6)	\$ 4,499,731
Dietary	390,363	318,318	708,681	-	-	708,681
Laundry	146,611	93,575	240,186	-	-	240,186
Housekeeping	170,792	124,720	295,512	-	-	295,512
Maintenance	165,098	116,525	281,623	-	-	281,623
Administration & Medical Records	476,803	393,640	870,443	-	21,111 (1) 70,853 (4)	778,479
Utilities	150,055	106,244	256,299	-	-	256,299
Special Services	126,674	15,407	142,081	-	36,693 (3)	105,388
Medical Supplies & Oxygen	352,543	253,002	605,545	-	52,444 (2)	553,101

LEXMED, INC. D/B/A LEXINGTON MEDICAL EXTENDED CARE
Combined Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-BRK-J6

<u>Expenses</u>	Bertha K. Rikard 10-01-95/ 09-30-96	Keisler- Holstedt 09-04-96/ 03-31-97	Combined Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
				<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	20,519	18,166	38,685	-	-	38,685
Legal Fees	14,305	6,920	21,225	-	-	21,225
Cost of Capital	<u>552,105</u>	<u>474,576</u>	<u>1,026,681</u>	<u>-</u>	<u>-</u>	<u>1,026,681</u>
Subtotal	5,232,068	3,818,994	9,051,062	-	245,471	8,805,591
Ancillary	71,309	35,823	107,132	-	-	107,132
Non-Allowable	1,039,116	(134,657)	904,459	21,111 (1) 52,444 (2) 36,693 (3) 70,853 (4) 53,454 (5) <u>10,916 (6)</u>	-	1,149,930
Total Operating Expenses	<u>\$6,342,493</u>	<u>\$3,720,160</u>	<u>\$10,062,653</u>	<u>\$245,471</u>	<u>\$245,471</u>	<u>\$10,062,653</u>
Total Patient Days	<u>47,845</u>	<u>*44,601</u>	<u>92,446</u>	<u>-</u>	<u>983 (7)</u>	<u>*91,463</u>
Total Beds	<u>132</u>	<u>220</u>	<u>352</u>			

*Adjusted to 97% occupancy except for Cost of Capital Computation which uses Combined Totals.

LEXMED, INC. D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE

Combined Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-BRK-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Administration	\$ 21,111	\$ 21,111
	To reclassify expenses to the proper cost center State Plan, Attachment 4.19D		
2	Nonallowable Medical Supplies	52,444	52,444
	To reclassify expenses to the proper cost center State Plan, Attachment 4.19D		
3	Nonallowable Therapy	36,693	36,693
	To reclassify expenses to the proper cost center State Plan, Attachment 4.19D		
4	Nonallowable Administration	70,853	70,853
	To remove cost not adequately documented HIM-15-1, Section 2304		
5	Nonallowable Nursing	53,454	53,454
	To properly allocate pooled nursing salaries to Keisler-Holstedt State Plan, Attachment 4.19D		
6	Nonallowable Nursing	10,916	10,916
	To properly allocate pooled nursing fringe benefits State Plan, Attachment 4.19D		

LEXMED, INC. D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE

Combined Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-BRK-J6

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	<u>Memo Adjustment:</u>		
	To adjust combined patient days to		
	97% occupancy		
	State Plan, Attachment 4.19D	_____	_____
	TOTAL ADJUSTMENTS	\$ <u>245,471</u>	\$ <u>245,471</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.